



# Clarifying CSDDD and what to expect next

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Chair of the RBC working group of the European Parliament  
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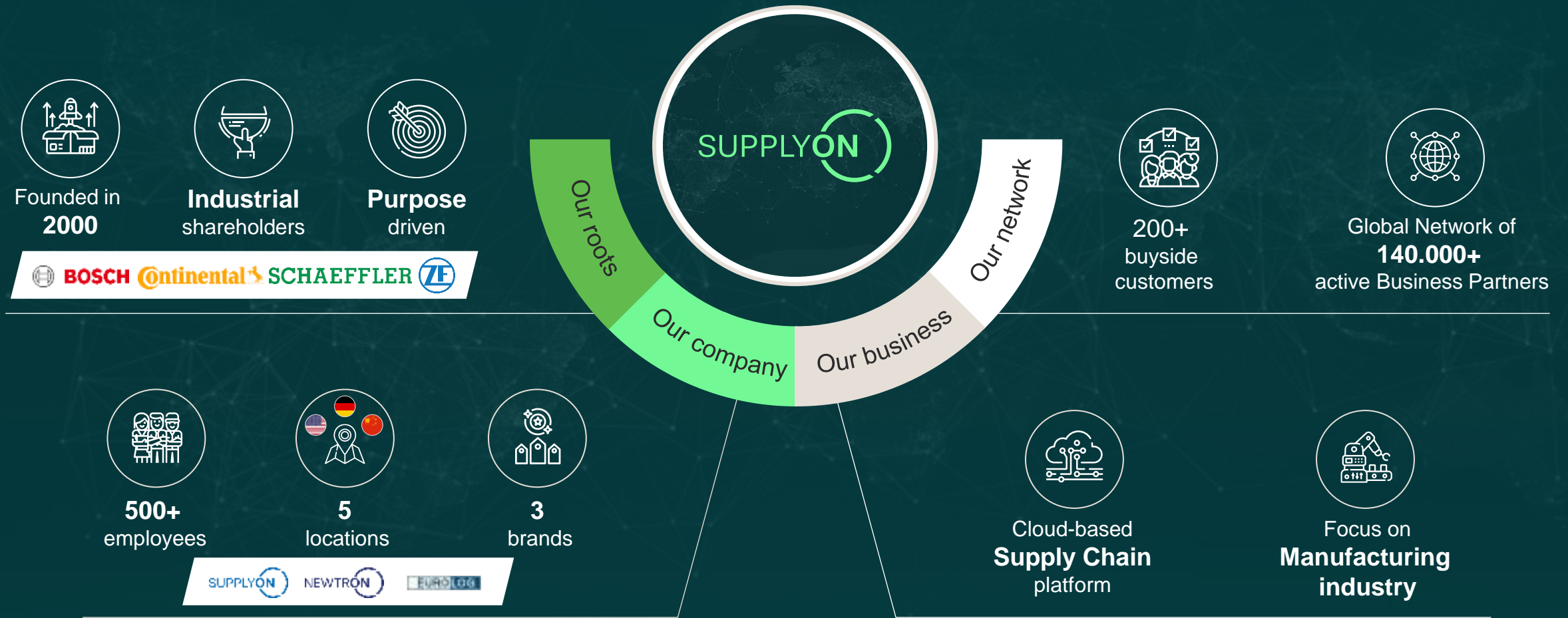
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# SupplyOn at a glance

The open supply chain business network for the manufacturing industry





# 1. Understanding the CSDDD - What prompted the EU to introduce this directive and what are its core objectives?

- UN Guiding Principles on Business and Human Rights adopted in 2011
- Responsible companies have conducted due diligence for years, still massive problems in global value chains
- National due diligence legislations e.g. Germany, France, Norway
- Sectoral due diligence legislation in the EU e.g. Conflict minerals, Deforestation, Batteries and Forced Labour Regulation
- Other related legislations: Corporate Sustainability Reporting Directive (CSRD), the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy
- Core objective to establish horizontal, legally binding rules on corporate sustainability due diligence
- Idea of a level playing field and alignment with the UNGP & OECD standards

## 2. Overview of the requirements (pt.1)

- **Scope**

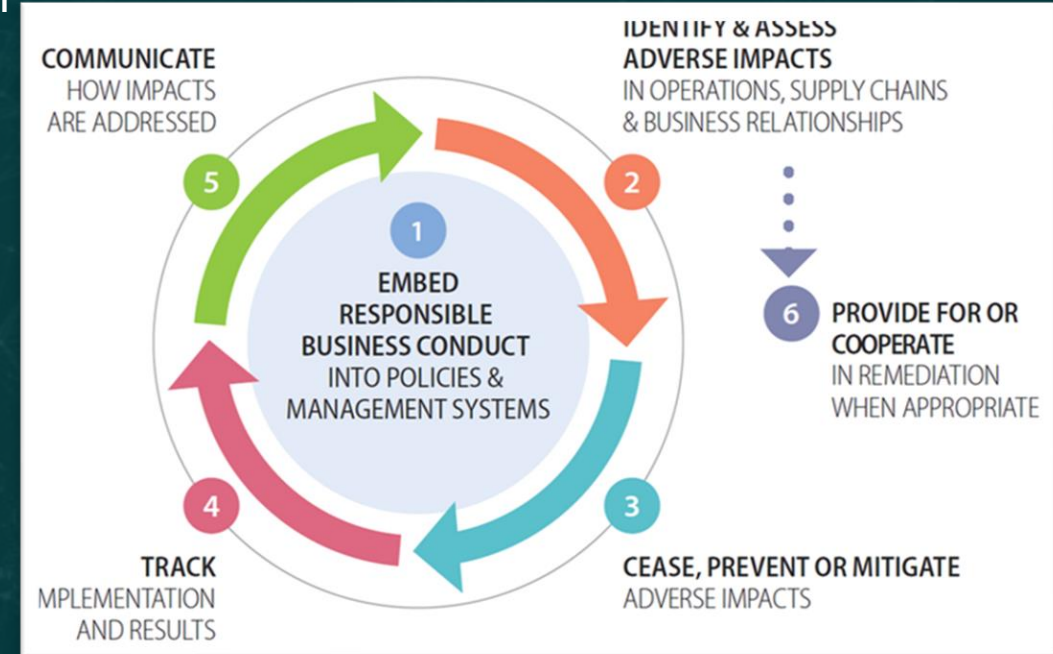
- Companies over 1000 employees & worldwide turnover over 450 million EUR

- **Chain of activities**

- Upstream and most of downstream (production, supply, transport, storage and distribution; excluding sales and disposal)
- Transport, storage and distribution only if carried out directly on behalf of the company

- **Due diligence process**

- Identify, assess, prevent, mitigate, end and remedy their negative impact
- Meaningful engagement with affected stakeholders throughout the dd process
- Communication and regular monitoring of the effectiveness of the dd process



Graph: The OECD Guidelines for Multinational Enterprises



## 2. Overview of the requirements (pt. 2)

- **Climate**

- “Obligation of means” for large companies to adopt and put into effect a climate transition plan in line with the Paris Agreement

- **Financial sector**

- Out of the scope of the directive **but** financial companies have to comply with the article 15 (climate transition plan explained above)
- Review clause for a possible future inclusion

- **Sanctions and supervision**

- Member States to designate Supervisory Authority to monitor compliance, cooperation through European Network of Supervisory Authorities established by the Commission
- Supervisory authorities able to start investigations and impose fines of up to 5% of company's net worldwide turnover

- **Civil liability (!)**

- If the company *intentionally* or *negligently* failed to comply with the obligations
- Access to justice measures: limitation period of 5 years, injunctive measures, representative actions, disclosure of evidence and limited cost of proceedings

### 3. Timeline

- EU Member States are to transpose the directive 2 years after entry into force
- Cascading in application by companies after entry into force:
  - 3 years for companies with more than 5000 employees and 1500 million turnover
  - 4 years for companies with more than 3000 employees and 900 million turnover
  - 5 years for companies with more than 1000 employees and 450 million turnover

## 4. Looking ahead - what to expect?

- **Implementation of the CSDDD (!)**

- The role of national supervisory bodies
- Support for developing countries
- Support for SMEs
- Review clause after 6 years of entering into force
- → scope, finance, civil liability, definition of chain of activities, level of harmonisation etc.

- **Other**

- Public procurement
- Legal standards for industry initiatives and auditing
- Human rights and environment in EU trade agreements
- UN legally binding instrument on BHR



## 5. Advice for companies

- Company structure
- Risk based approach – mapping the value chain
- Contractual clauses with suppliers
- Companies are not alone – remember the upcoming Commission guidance on the CSDDD (Article 13)
- Cooperation via industry schemes and multi-stakeholder initiatives
- UNGP and OECD guidance



# Thank you!

The CSDDD adopted text [available here](#).



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